

PPSC Economics Full Book MCQ Test

Sr	Questions	Answers Choice
1	If a price floor of Rs.15 is imposed, the governments cost is.	A. Rs.150 B. Rs.300 C. Rs.750 D. Rs.450
2	Which of the following is correct for the demand and supply schedules given above.	A. The demand curve is non linear B. The slope of the supply curve is 4 C. Equilibrium quantity is 40 units D. The slope of the demand curve is 0.5
3	Which of the following is correct with respect to the Paasche index.	A. The consumer Price index is an example of the Paasche index. B. The Paasche index is biased upward C. The Paasche index always exceeds 1 D. The Paasche index uses given period quantities
4	Assume a consumer buys 25 units of good X at Rs.8 and 10 units of good Y at Rs. 6 in 1980. If $P_x = \text{Rs. } 6$ and $P_y = \text{Rs. } 4$ in 1970 the Paasche index is.	A. 1.14 B. 1.65 C. 1.37 D. 1.47
5	The monopolization of the competitive market results in a deadweight loss to society of	A. RSJK B. JKL C. THJ D. RSJL
6	The arc income elasticity of demand is approximately	A. 0.02 B. 1.9 C. 3.3 D. 0.5
7	The arc price elasticity of demand is approximately	A. 0.3 B. 3.3 C. 6.0 D. 0.2
8	Under perfect competition, the price system automatically result in efficient output selection when	A. $MC = MR$ B. $MC = MU$ C. $P = ATC$ D. $P \geq AVC$
9	What is the per unit marginal cost of increasing production from 20 to 25 units.	A. Rs. 3,500 B. Rs.100 C. Rs.4,000 D. Rs.500
10	The average total cost when 20 units of output are produced is	A. Rs. 2,900 B. Rs.195 C. Rs. 20 D. Rs.900
11	What is the production level for public good W, if the government uses full cost pricing.	A. $Q = 2$ B. $Q = 5$ C. $Q = 4$ D. $Q = 6$
12	Which of the following is not a basic assumption of perfect competition.	A. Free entry and exit B. Many small sellers and buyers C. Perfect information D. Short run
13	The average total cost of a wedge increases from Rs. 0.79 to Rs. 0.83 Evidently	A. AFC exceeds AVC B. MC is between Rs. 0.79 and Rs. 0.83 C. AVC is Rs. 0.83 D. MC is greater than Rs. 0.83
14	If X, Y, and Z are willing to work for Rs. 4, Rs. 5, and Rs.6 respectively but N pays them Rs. 7 each, producers surplus is.	A. Rs. 4 B. Rs.7 C. Rs.5 D. Rs.6

15	The Marginal cost of product W exhibiting positive externalities is $McW = 25 + 5 Q_s$, the competitive price for each unit of W (P_w) is Rs. 175 and the positive externality is worth Rs. 100 to society for each unit produced. Society considers product W under produced by how many units.	A. 10 Units B. 15 Units C. 20 Units D. 5 units
16	A firm's total revenue is Rs. 4,500 when it sells 15 pairs of boots compared to Rs. 4,480 when it sells 14 pairs,. The marginal revenue of the 15th pair of boots is.	A. Rs.20 B. Rs.320 C. Rs. 4,480 D. Rs.300
17	Naveed purchases product M for which his income elasticity of demand is negative. Apparently product M is.	A. A necessity B. An independent good C. An inferior good D. A luxury good
18	Everyone's absolute income doubles family A's APC, according to the simple Keynesian consumption function is expected to.	A. Fall B. Double C. Increase D. Halve
19	To maximize revenue, an excise tax should be imposed on a product	A. That has a highly elastic demand curve B. Such as St. Joseph's children's' aspirin. C. Such as salt D. such as Toyota automobiles
20	At level of income and output of 100 in the diagram above	A. APC < 1 B. Equilibrium occurs C. Consumption expenditures are equal to 100 D. MPC > APC
21	Which of the policies in the table above an increase in social welfare according to pareto efficiency.	A. Policy A B. Polies A and B C. Policies A and D D. Policies C a, -d D
22	A demand curve that is an equilateral hyperbola is.	A. Perfectly elastic B. Relatively elastic C. Unit elastic D. Relatively inelastic
23	If the production function is $Q = 8 KL$ the marginal rate of technical substitution of labor for capital is.	A. 8 B. K/L C. L/K D. B/KL
24	The ABC corporation.	A. Is earning a pure economic profit B. Should produce zero units of output C. Is sustaining an economic loss D. Is breaking even
25	BATA's marginal utility per dollars is .8 for both shorts and running shoes,. To attain her consumer equilibrium BATA should.	A. Buy an additional pair of shorts B. Buy an additional pair of both items C. Possibly not make any adjustment in her behavior D. Sell her shorts and keep her shoes
26	How much will a speculator invest now if he expects to earn Rs. 144 two years from now assuming the nominal rate of interest is 20%	A. Rs.1654.29 B. Rs.100.00 C. Rs.94.00 D. Rs.68.00
27	The price of Ketchup at a market increases by 12.5% per can, which results in a decrease in quantity purchased by 40% per week, the demand is.	A. Relatively elastic B. Relatively inelastic C. Perfectly elastic D. Perfectly iinelastic
28	If a tax of Rs. 6 per units is imposed upon the suppliers, then.	A. Tax revenue will equal Rs. 108 B. Price increases by Rs. 4 C. Quantity decreases by 4 units D. Producers pay Rs. 36
29	Given the above demand and supply equations for widgets, the equilibrium price and quantity is.	A. P = Rs. 20, Q = 60 B. PO = Rs. 60, Q, = 20 C. P Rs. 35, Q = 45 D. P - Rs. 12, Q = 88
30	The total utility of the third unit of product x is.	A. 10 B. 5 C. 23 D. 38

